WEEKLY ECONOMIC REVIEW

FEBRUARY 18, 2005

Federal Reserve chairman Alan Greenspan reaffirmed this week that short-term interest rates were set to move at a measured pace. This implies quarter point increases at each of the next three meetings, bringing the Federal Funds rate from 2.50% to 3.25% by June 2005.

Despite the Federal Reserve's recent increases to short-term interest rates, long-term rates have moved lower (from 4.7% to 4.1%), puzzling analysts. Mr. Greenspan admitted that world bond markets are a 'conundrum' and emphasized that investors should not take current long-term rates for granted. This unsettled U.S. financial markets, driving the U.S. dollar lower.

The Bank of Canada governor David Dodge stated that, although Canadian short-term interest rates remain low by historical standards, at some point the monetary stimulus would need to be removed. Most economists expect the Bank to start increasing short-term interest rates in the latter half of 2005.

News of foreign investors purchasing a record $53.2 billion of Canadian securities in 2004 supported the Canadian dollar.

↑	**Cdn Dollar (US¢/CS)**	
	Feb 18, 2005	81.3¢
	Feb 11, 2005	80.8¢
	2004-05 YTD	77.9¢
↑	**WTI Oil SUS/bbl**	
	Feb 17, 2005	$47.54
	Feb 10, 2005	$47.10
	2004-05 YTD	$43.93
↓	**Nymex Natural Gas CS/mcf***	
	March Contract	
	Feb 18, 2005	$7.32
	Feb 11, 2005	$7.55

*estimate based on Nymex Futures Market Price

Alberta's manufacturing industry posted impressive gains in 2004. At 14.6%, this was the highest gain among the provinces and well above the national average of 8.4%.

Oil prices retreated from their high on Wednesday as some OPEC ministers spoke against near-term production cut. Strength in the US heating oil and gas markets also contributed to the ease in prices.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	2004 Annual
Manufacturing Shipments ($ millions)	December			
Alberta	4,620	-0.1%	17.7%	14.6%
Canada	50,063	-0.2%	9.6%	8.4%
Wholesale Trade ($ millions)	December			
Alberta	4,247	3.6%	16.6%	13.0%
Canada	38,653	1.1%	7.1%	6.6%
New Motor Vehicle Sales (# of vehicles)	December			
Alberta	16,420	-3.8%	7.5%	0.4%
Canada	127,586	-3.1%	1.8%	-3.5%

Source: Statistics Canada